Financial statements 2006

NorthPoint

Energy Solutions Inc.

Report of management

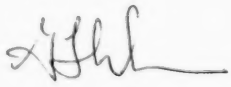
The financial statements of NorthPoint Energy Solutions Inc. (NorthPoint) are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year. The preparation of financial statements necessarily involves the use of estimates based on management's best judgement, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the financial statements have been properly prepared within the framework of selected accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, information available up to January 26, 2007.

Management maintains appropriate systems of internal control which provide reasonable assurance that NorthPoint's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable and accurate and that transactions are executed in accordance with management's authorization. This system includes corporate-wide policies and procedures and appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these controls on an ongoing basis and reports its findings to management and to the Audit and Finance Committee of the Board of Directors.

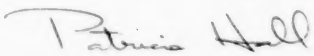
The Board of Directors, through the Audit and Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Audit and Finance Committee consists entirely of outside Directors. At regular meetings the Committee reviews audit, internal control and financial reporting matters with management, the internal auditors and the external auditors to satisfy itself that each is properly discharging its responsibilities. The financial statements and the external auditors' report have been reviewed by the Audit and Finance Committee and have been approved by the Board of Directors. The internal and external auditors have full and open access to the Audit and Finance Committee, with and without the presence of management.

The financial statements have been examined by Deloitte & Touche LLP, Chartered Accountants. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The auditors' report, which follows, outlines the scope of their examination and sets forth their opinion.

On behalf of management,



Gary Wilkinson, P.Eng
Chief Executive Officer
January 26, 2007



Patricia Hall, CA
Chief Financial Officer

Auditors' report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of financial position of NorthPoint Energy Solutions Inc. as at December 31, 2006, and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2006, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Regina, Saskatchewan
January 26, 2007

Statement of income and retained earnings

(in thousands)

For the year ended December 31	2006	2005
Revenue		
Electricity trading (*Note 3*)	**$ 118,452**	$ 45,691
SaskPower services	**6,708**	7,244
Other	**948**	574
Total revenue	**126,108**	53,509
Expense		
Electricity trading	**102,960**	36,386
Administration	**5,500**	4,835
Total expense	**108,460**	41,221
Net income	**17,648**	12,288
Retained earnings, beginning of year	**3,208**	1,980
Dividends	**(15,884)**	(11,060)
Retained earnings, end of year	**$ 4,972**	$ 3,208

See accompanying notes

Statement of financial position

(in thousands)

As at December 31	2006	2005
Assets		
Current assets		
Cash and cash equivalents	**$ 26,264**	$ 16,478
Accounts receivable	**15,527**	11,779
Prepaid expenses and deposits	**324**	3,241
Due from SaskPower	**895**	2,245
Total assets	**$ 43,010**	$ 33,743
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 12,154**	$ 9,475
Dividend payable	**15,884**	11,060
Total liabilities	**28,038**	20,535
Equity		
Share capital *(Note 4)*	**10,000**	10,000
Retained earnings	**4,972**	3,208
Total equity	**14,972**	13,208
Total liabilities and equity	**$ 43,010**	$ 33,743

Commitments *(Note 8)*

See accompanying notes

On behalf of the Board:

Patricia A.G. Quaroni, LLB
Chair

Lyn Kristoff, FCA
Director

Statement of cash flows

(in thousands)

For the year ended December 31	2006	2005
Operating activities		
Net income	**$ 17,648**	$ 12,288
Net change in non-cash working capital		
Accounts receivable	**(3,748)**	(7,286)
Prepaid expenses and deposits	**2,917**	(3,185)
Due from SaskPower	**1,350**	(886)
Accounts payable and accrued liabilities	**2,679**	3,760
	3,198	(7,597)
Cash provided by operating activities	**20,846**	4,691
Financing activities		
Dividends paid	**(11,060)**	(6,189)
Cash used in financing activities	**(11,060)**	(6,189)
Increase (decrease) in cash	**9,786**	(1,498)
Cash and cash equivalents, beginning of year	**16,478**	17,976
Cash and cash equivalents, end of year	**$ 26,264**	$ 16,478
Supplemental information:		
Cash paid for capital tax	**$ 6**	$ 11

As at December 31, 2006

1. Status of the Corporation

NorthPoint Energy Solutions Inc. (NorthPoint) was incorporated pursuant to *The Business Corporations Act* (*Saskatchewan*) effective October 17, 2001, and began operations November 1, 2001. NorthPoint is a wholly-owned subsidiary of Saskatchewan Power Corporation (SaskPower). Accordingly, the financial results of NorthPoint are included in the consolidated financial statements of SaskPower.

NorthPoint has a service agreement with SaskPower authorizing NorthPoint to perform electricity trading functions related to the generation assets of SaskPower, to coordinate utility generation output and to manage SaskPower's natural gas supplies for its natural gas-fired power plants. SaskPower services revenue provides approximately 5% (2005 – 14%) of total revenue of NorthPoint.

As a subsidiary of a provincial Crown corporation, NorthPoint is not subject to federal income tax, provincial income tax or federal large corporations tax.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant:

(a) Use of estimates

The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Actual results could differ from those estimates, which may impact actual results reported in future periods.

(b) Revenue recognition

NorthPoint engages in wholesale electricity trading transactions which do not relate to the generation assets of SaskPower. NorthPoint acts as a principal in these electricity trading transactions, taking title to the electricity purchased for resale, and assuming the risks and rewards of ownership. Electricity trading revenue is recorded on a gross basis as delivered. Electricity trading revenue not billed by month-end is accrued based upon estimated electricity delivered.

NorthPoint provides generation and load management services for SaskPower by coordinating the utility generation output. This revenue is recognized as it is earned and is included in SaskPower services revenue.

NorthPoint acts as an agent of SaskPower and is responsible for the performance of electricity trading functions related to the generation assets of SaskPower. NorthPoint receives commissions for the performance of this service. Revenue from electricity sales from SaskPower generation assets is not recorded on a gross basis, rather commission revenue is recognized as the electricity trades are conducted and is included in SaskPower services revenue.

NorthPoint provides gas management services for SaskPower by coordinating and balancing SaskPower's natural gas requirements, managing injections to and withdrawals from SaskPower's natural gas storage assets, and managing natural gas price risk with physical and financial hedging activity. NorthPoint acts as an agent of SaskPower and is responsible for the

performance of gas purchasing functions related to the natural gas storage assets of SaskPower. Costs of gas purchases are not recorded by NorthPoint, as SaskPower continues to be responsible for all financial obligations relating to natural gas purchases and hedging activity. Gas management revenue is recognized as it is earned and is included in SaskPower services revenue.

(c) Foreign currency translation

Revenue and expenditures resulting from transactions in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated using the exchange rate in effect on the balance sheet date. Any resulting foreign currency translation gains and losses are included in the statement of income and retained earnings in the current period.

(d) Cash and cash equivalents

Cash and cash equivalents includes short-term investments made by SaskPower on NorthPoint's behalf that have a maturity date of 90 days or less from the date of acquisition. These investments are carried at cost which approximates market value.

(e) Employees' future benefits

NorthPoint provides pension plans for all eligible employees, including a defined contribution pension plan and a defined benefit pension plan. Under the defined contribution pension plan, NorthPoint's obligations are limited to contributions made for current service. When made, these contributions are charged to income. Defined benefit pension plan benefits are provided by SaskPower to eligible employees.

NorthPoint provides defined contribution and defined benefit severance plans for substantially all employees. NorthPoint's obligations are limited to making regular contributions to SaskPower in respect of severance plan benefits.

NorthPoint provides a supplementary superannuation plan for certain management employees who elect to forego their entitlement to banked days off. NorthPoint's current period expense is limited to yearly notional contributions to the plan based upon the employee's salary and an amount allocated for interest on the employee's plan balance.

(f) Future accounting policy changes

In 2005, the Canadian Institute of Chartered Accountants (CICA) issued Section 1530, *Comprehensive Income*; Section 3251, *Equity*; Section 3855, *Financial Instruments — Recognition and Measurement*; and Section 3865, *Hedges*. NorthPoint will adopt these standards effective January 1, 2007. As a result, all derivatives, including physical forward contracts and contracts for differences, will be classified as held-for-trading and recorded at fair value on the statement of financial position with realized and unrealized gains and losses reported in net income.

3. Electricity trading revenue by geographic location (in thousands)

	2006	2005
Canada	**$ 67,419**	$ 32,445
United States	**51,033**	13,246
Electricity trading revenue	**$ 118,452**	$ 45,691

Revenue is attributable to countries based on the location of counterparties.

4. Share capital (in thousands)

	#	2006	2005
Authorized			
Unlimited Class A non-cumulative, voting common shares			
Issued			
Class A			
Issued and outstanding, beginning of year	**10,000**	**$ 10,000**	$ 10,000
Issued during the year for cash	–	–	–
Issued and outstanding, end of year	**10,000**	**$ 10,000**	$ 10,000

All shares are held by the parent corporation, SaskPower.

5. Employees' future benefits (in thousands)

NorthPoint contributed $457 (2005 - $334) to the plans described in Note 2(e).

6. Related party transactions (in thousands)

Included in these financial statements are various related party transactions, substantially all of which are with SaskPower. NorthPoint also has a variety of other transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to NorthPoint by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year-end are as follows:

	2006	2005
Due from SaskPower	**$ 895**	$ 2,245
Dividend payable	**15,884**	11,060
SaskPower services revenue	**6,708**	7,244
Electricity trading expense	**39**	9
Administration expense	**4,468**	3,669

In addition, NorthPoint pays Saskatchewan provincial sales tax on all its taxable purchases to the Saskatchewan Department of Finance. Taxes paid are recorded as part of the cost of those purchases.

7. Financial risk management

Foreign exchange risk

By virtue of its operations, NorthPoint is exposed to changes in the United States (U.S.)/Canadian dollar exchange rate. NorthPoint purchases electricity from and sells electricity to the U.S. market and must recognize translation gains and losses based on the exchange rate in effect at the transaction date. NorthPoint does not utilize financial instruments to manage its foreign exchange risk.

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. For the year ended December 31, 2006, sales to three significant customers comprised 77% (2005 - four significant customers comprised 92%) of electricity trading revenue. At year-end, receivables from three customers comprised 84% (2005 - three customers comprised 74%) of total outstanding receivables. These amounts have been subsequently paid. NorthPoint maintains strict credit policies and limits in respect to counterparties.

Fair values

Financial instruments including cash and cash equivalents, accounts receivable, due from SaskPower, accounts payable and accrued liabilities and dividend payable approximate fair value due to the short period to maturity.

8. Commitments (in thousands)

At year-end, NorthPoint had commitments for purchases and sales relating to 2007. The following table provides the contract value, and the estimated fair value, for forward transactions and contracts for differences outstanding at December 31:

	2006			2005		
	Contract value	**Fair value**	**Unrecognized gain (loss)**	Contract value	Fair value	Unrecognized gain (loss)
Electricity sales	**$ 5,416**	**$ 5,197**	**$ 219**	$ 9,402	$ 8,944	$ 458
Electricity purchases	**3,042**	**2,951**	**(91)**	12,095	11,880	(215)

Electricity sales include $727 (2005 - $nil) and electricity purchases include $3,042 (2005 - $nil) of transactions denominated in U.S. dollars.

NorthPoint has issued letters of credit in the amount of $250 (2005 - $3,250).

9. Comparative figures

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

NorthPoint Energy Solutions Inc.

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